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Hurley, Edward Nash

Address of
Edward N. Hurley

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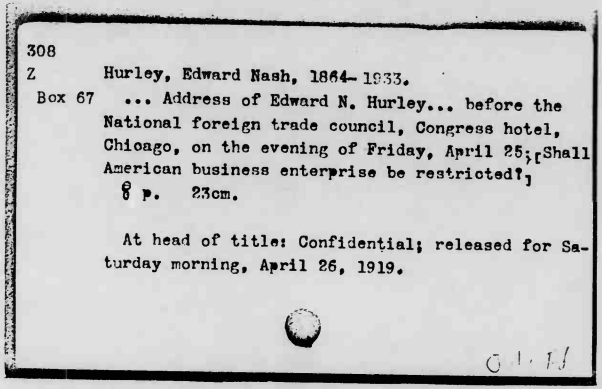

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Confidential

Released for SATURDAY MORNING, APRIL 26, 1919.

Address of Edward N. Hurley, Chairman of the United States Shipping Board, Before the National Foreign Trade Council, Congress Hotel, Chicago, on the Evening of Friday, April 25.

Shall American Business Enterprise Be Restricted?

Address of Edward N. Hurley, Chairman of the United States Shipping Board, Before the National Foreign Trade Council, Congress Hotel, Chicago, on the Evening of Friday, April 25.

Mr. Chairman and Members of the National Foreign Trade Council:

I much appreciate the honor of addressing the National Foreign Trade Council. As one of the original members of this organization, I was confident it would prove most helpful to the best interests of the nation, and under the energetic and far-sighted leadership of your President, Mr. James A. Farrell, it has accomplished all I expected of it.

The first object of the Council was to encourage the development of a great merchant marine. An American merchant marine is now an accomplished fact.

The second object of the Council was to urge American manufacturers to seek foreign markets. Our export trade has grown enormously, but we cannot feel that this function of the Council has yet reached its full measure of service because we are faced now with the necessity of transmuting war exports into peace exports.

As a general objective, the National Foreign Trade Council had in mind the need for sound governmental policies towards foreign trade. It is in no small measure due to the council that the whole country has been awakened to the importance of foreign trade and to the part it plays in American prosperity.

Ships are the controlling factor in the development of foreign trade. Before the war only 9.7 per cent of our total exports was carried in American bottoms. It is our hope, if our program is completed, to have sufficient ships to move fifty per cent of our total commerce in American bottoms.

We want to put the best American initiative behind the operation of the fleet; we want to get rid of red tape and the possibility of stagnation when moving these ships to the ports where they will carry American trade. But a very large part of the task that confronts the nation can be made easy and practicable if such organizations as the National Foreign Trade Council will concentrate in a movement to urge American manufacturers to study the export field.

We can't build up our foreign markets in a slip-shod manner. We must specialize in trying to meet the different needs of different markets, and we must purchase raw materials and manufactured products from foreign countries as well as sell to them. We must take some chances in developing trade routes which are at present unprofitable, and a little

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of the pioneer spirit of the old days will not be out of place even in these modern times.

There is a feeling on the part of many business men that their competitors, at home as well as abroad, are not playing the game fairly. This is largely imaginary. Usually when you meet your competitor face to face you find that he is a pretty likable and human fellow. The same is true of our foreign competitors.

We hear a great deal these days about what is going to happen to American business when Great Britain and the other nations, supposed to have certain advantages over us, get into full swing. We have heard such doleful predictions many times long before the war.

After three months studying the situation in Europe I have not observed any outstanding advantage which they have over us, either from a production point of view, or a labor point of view, or from the character of products manufactured. This is true not merely of manufacturing, but with reference even to shipbuilding. Here we find some cloistered critics asserting we will never be able to compete with British shipping. Over in England you will hear English critics telling their government that Great Britain will never be able to compete with us.

We should not complain about Great Britain, France and Italy placing temporary restrictions on a number of commodities which they import. They are the best judges concerning what particular products they can do without during the present trying economic periods which they are going through.

We have many ships returning in ballast from France, Italy and Great Britain, and materials produced in those countries and needed here should be purchased now when tonnage is available. If our business men would take such steps now, it would also be helpful in balancing our trade.

We needn't worry much about flank movements from our foreign competitors. They will compete fairly. They understand now, better than ever before, the evil of unfair competition. Germany's commercial system reached the point where it became top-heavy. It was hard to distinguish between Germany's commercial enterprises and Germany's government, and it is my belief that combinations between governments and business are almost as dangerous as combinations between church and state.

If there were no obstacles to be overcome, half of the exhilaration of contest and competition would be gone. Neither foreign nor domestic trade will ever be handed to us on a silver platter. Gossip, rumors or criticisms as to whether we can do this, or whether we can do that, in competition with other nations, takes up a great deal of time, and serves no useful purpose. Let us try it out and see. As a nation, we have never been lacking in perseverance, energy, enterprise and skill. We have developed enormous purchasing power at home and compete keenly, yet fairly, with each other. There is no reason why we cannot do the same in the markets of the world.

Business should *not* get into the habit of relying upon the government to solve difficulties which can be overcome by ordinary business skill and honest methods.

If we business men instructed our salesmen not to discuss a competi-

tor's business with any customer, and not to comment unfavorably on the other man's goods, but to devote their time to boosting their own products, much of the need for further legal restrictions on business would be obviated.

Let the salesmen for American products, at home and abroad, lay particular stress upon the merits of their own goods. Let them promise, and fulfill their promise, to make prompt deliveries and render efficient service. Not only will greater progress be made towards fairer competitive methods, but business will be helped.

If we devote our time disparaging the products of our business rivals, we hurt business generally, reduce confidence, and increase discontent.

The best way to get new business is not to undermine a competitor, but to create new markets and encourage increased demand. We have reached the point in our business life where fair play is absolutely essential if there is to be continued freedom for American business initiative.

Every market in the world is open to fair-dealing Americans who are able to reduce their cost of production. The American wage scale is right because it represents American efficiency and skill. So long as the American workman gives his best effort, he is fully entitled to the higher wages he receives.

The American workingman typifies one of the finest characteristics of the American people generally. He has the saving grace of this nation, which is its common sense. That undefinable characteristic, possessed in so large a measure by the American workingman, will protect this country against the infection of Bolshevism, which, in the countries where it has come as a protest against autocracy, has cut the very heart out of the working people, robbing them of their right to earn a living.

Russians here, discussing their own country, assert that Bolshevism isn't a form of government, but merely a state of mind. In other periods the same state of mind has been called anarchy. But, whatever it may be called, the result of the disorder that comes from it strikes first and hardest at the people who earn their bread by the sweat of their brow, and the few so-called "intellectuals" in the United States who have tried to attract attention to themselves by defending Bolshevism, are tampering with the happiness and prosperity of the great body of working people.

American labor fortunately has never found much difficulty in distinguishing between real reform and false. It realizes that no satisfactory substitute can be found for initiative. And that is why, if American business men would forget about imaginary dangers, and would devote their time to the expansion of their business, to the creation of new business and the invasion of new markets, they would find it more profitable than trying to take business away from their competitors or from other nations.

American initiative and American skill are still with us in abundance. As inventors, we have produced more practical devices for reducing the cost of production and other ingenious methods of doing things in a novel and economical way than any other nation in the world. And we have only begun to show what we can do in manufacturing and selling high-class goods at fair prices.

We are today on the threshold of a new era. We must recognize that to be worthy of our boys who went to the front and worthy of the dead they left there, all of whom demonstrated to the world what American initiative can do when put to the test, we must now carry on the work for fair play which they have begun. We must show in our business affairs, both at home and abroad, that we are ready to apply to ourselves the same test of fair dealing that we would apply to others. We must show that we play fair in business, just as we demanded fair play in international law. When we couldn't bring about the observance of international law, we fought for it. But the American instinct for a square deal is strong enough to bring about its establishment as a fundamental principle of national business conduct.

If you cooperate with the government, the incentive for complete governmental domination of business will be removed. You have a great many problems to work out, but the progressive and collective thought of the business world, working sincerely with the government, is quite equal to a solution of the most difficult problem.

There has been a general feeling that the time has come when some definite step should be taken by the government to clarify the rights of business—to establish a definite code of business practices, not merely with respect to the relation between one business institution and another, but with respect to the relations among business, labor and the public. It should not be necessary for business to obtain legal advice on economic questions.

We don't have to study the Clayton Act or even the Federal Trade Commission Act to determine what is a safe business policy. You can go back to 500 years B. C. and find a rule of business that will guide you through the legal mazes. The Chinese philosopher, as long ago as that, said: "What you do not like when done to yourself do not do to others." This is an excellent rule.

Most business problems require common sense, rather than legal reference. They are economic, rather than legal. They require good judgment and honesty of purpose, rather than reference to the courts. I think it is true that most of the problems requiring governmental decision should be determined by a supervisory body, rather than by suits and agitation. Very few business men want to go back to the old days of 1900 when the trusts and combinations were being formed. None of them would return to the old methods.

There were, of course, many violations of the spirit as well as the letter of the Sherman law, and it was necessary to invoke the provisions of that Act to prevent riot and disorder in business and to protect the public. My own thought is that the Sherman law was not invoked soon enough. An ounce of prevention is worth a pound of cure.

One of the greatest evils business men as well as the public have ever had to deal with is the watering of stock. Inflated value of stock is a real evil. If there had been some regulation of stock issues twenty-five years ago—such regulation as was provided during the war by the Securities Issues Committee—much of the criticism of business in America would have been avoided.

If stocks represent real assets, real value, and real property, with sufficient working capital, the risk taken by the investors is reduced to

a minimum and labor knows that it is not bearing any unnecessary burden. That thought is expressed in the plan I have offered for the operation of the American merchant marine. One of the cardinal principles was "No watered stock." We have not worked in the dark in evolving a plan for the operation of the American merchant marine. We know what profit there is in operating ships, and what profit is possible in building ships. We have the benefit of study made abroad, as well as at home, and we have the benefit of the official records of cost of operation and of construction. Those who advocate any operating plan, not based upon such official information, are apt to make costly mistakes.

There is much help of a constructive character which the government can give American business men, and the business men, during the war, demonstrated conclusively that they can help the government. We must, of course, have specific laws to guide us in business and the Federal Trade Commission and Clayton Acts have been helpful in setting up plain standards of business ethics.

It may be pardonable for me to say that I take pride in the service rendered American business by the Webb Export Association law. I was not long a member of the Federal Trade Commission before I appreciated the value derived by foreign business concerns from their ability to practice teamwork in foreign markets. This appreciation moved me to give my most earaest and energetic support to the movement to allow American business men the same freedom of cooperation. When President Wilson signed the Webb Law great new possibilities opened to our industrial activities through this greater means of access to new markets.

Passage of the Webb Law was an almost providential preparation for the searching competition ushered in by the Great War. American firms are now free to present a solid national front against the competition of other nations. Unity of command, cooperative effort, applied comradeship are the media through which our national interests and hopes may be consummated in foreign trade.

Some opposition to this Act is reported to exist in foreign countries, due, perhaps, to the fears of our competitors. I do not charge that a propaganda is being waged against American concerns in foreign markets, but if there be such a propaganda—and it has been caused by the Webb Law—it will not succeed in abating the strength of American competition.

It will be a difficult task to mislead our foreign customers on this score. The Webb Law holds out benefits to them just as it does to our own firms. Cooperation and other advanced methods mean lower prices as well as lower marketing costs. That has been demonstrated in every phase of American business. In the end, the effect of this statute will be better buying prospects for the foreign consumer.

There is business enough for all. Some of the markets of the world have been barely touched. We can aid countries with such markets in increasing their own wealth, and their purchasing power by increasing our trade with them.

Foreign goods should not be permitted to be dumped in our markets at ruinous prices, nor should our business men employ similar methods in foreign markets. This is a vicious practice of unfair competition.

There is unfortunately a disposition on the part of some people to

regard with a degree of suspicion and distrust a business or an industry which grows rapidly and is exceptionally prosperous, and an unwarranted feeling that its achievements are brought about by unfair methods. Take, for example, a business that was started with very limited capital, but through the individual initiative and skill of the men interested, has grown so that the capital invested reaches millions of dollars and is paying substantial and legitimate dividends. The business has never violated ethics or law and is not a party to any combination or trust of any kind. It recognizes the rights of labor from every modern standpoint. Its chief effort has been to attend to its own affairs, to produce its wares at the minimum of expense, and its selling force has as its main endeavor, the marketing of its products at the lowest possible price consistent with the cost of production. Its policy has been to increase the volume of production to the maximum and to reduce overhead expenses to the minimum. Such a concern should be considered a model American enterprise. The fact that it is prospering by reason of its enterprise and its efficient methods is wholesome encouragement to others. If such a business makes its profit by reducing its costs, and thereby gives the public the benefit of its efficiency, it should receive commendation rather than censure.

It would be easy to name a score of new developments in American business which have greatly increased prosperity without taking away the slightest profit from any other development. Most of us can recall when there were no automobiles. Large profits have been made out of this industry, without the slightest detriment to any other industry. That was a typical case of creating a new market. The same thing was done by the evolution of the electrical industry, and virtually by every new invention.

In fact the very establishment of a new industry, or a new market, creates business for other industries only remotely related. The automobile helped the oil industry, and so it goes on in an endless chain.

It is the spirit of mutual helpfulness which has made the United States the greatest producing nation in the world. So long as we have fair play among business men, the public interest unquestionably will be protected by the energetic competition among concerns, each trying to render better service than the other.

The Supreme Court has held that mere size is no crime, but that no industry should be permitted to accumulate such power as could be used to monopolize the market. It is in the wrongful use of power, rather than in the power itself, that the evil lies. The business men of the country have been educated to understand where the point of monopoly is reached. They realize that it is better for industry, as well as for the country as a whole, to have no monopolies—not even government monopolies. But an industry of wholesome size, which still has healthy competition, no longer should be regarded with distrust, but with national pride.

We don't want to be a small nation. We don't want to do small things in a small way. We want to do big things in a big way. Our country has become great by the self-made men who started at the bottom of the ladder, and the workmen of today, if given an opportunity, will

be the international business men of tomorrow. We want to preserve opportunity for the generation that succeeds us. We don't want constant interference by the government in business affairs, because if we are to have a safety valve on American initiative, who is to set the valve! Who is going to say that your sons and my sons shall be limited in legitimate business initiative? One of the things the returning American soldiers will demand is that they shall have as good opportunities as we have had. We can't guarantee each man's success, but we can guarantee them equal opportunity in making their own way to success. We shouldn't limit them by marking off the point of success beyond which they shall not go. We should keep the way cleared so that they can go as far as their ability and energy will carry them.

Let Young America have his chance to do big things. Give him this opportunity and find no fault so long as he uses it fairly and honestly. Then let no force stand between him and the success to which he is entitled.

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